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World Chronicle

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PRODUCTIVE EMPLOYMENT

Expansion of productive employment was one of the core themes discussed in the 1995 World Summit for Social Development. The achievement of full employment in a global context is the responsibility of Governments, employers and trade unions. High and productive levels of employment through enterprise development are fundamental means of combating poverty, ensuring equity, meeting people's aspirations for participation in economic and social life, and for preserving social cohesion. Sustainable livelihood and sustainable development are interrelated. These and other employment-related issues are discussed by John Langmore, Director of the Division for Social Policy and Development in the United Nations Department for Policy Coordination and Sustainable Development.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

In March of 1995, to draft common strategies for confronting and resolving contemporary social issues, the United Nations convened the World Summit for Social Development. One of the resulting strategies has been to reduce unemployment while expanding more productive employment, especially in third world countries. What has been accomplished since the Summit? And what is the United Nations system doing to assist poor countries to reduce unemployment?

Our guest today has extensive experience in these areas. He is John Langmore, Director of the Division for Social Policy and Development in the United Nations Department for Policy Coordination and Sustainable Development. Joining me to talk with Mr. Langmore are Tuyet Nguyen of United Press International and Ian Steele of the Press Foundation of Asia.

Mr. Langmore, welcome to World Chronicle.

LANGMORE: Thank you.

LITTLEJOHNS: Mr. Langmore, let me repeat the questions in the introduction: What's been accomplished since the Summit? And what's the United Nations system doing to assist poor countries to reduce unemployment?

LANGMORE: Well, in one sense the situation since the Summit has been terrible, because unemployment in quite a large number of industrialized countries has risen. In France and Germany it's now over 12 per cent; in Spain it's over 17 per cent; in the United States it's fallen, but in most developing countries there has been a continued growth in under-employment and in urban unemployment. So in one sense we've gone backwards. But I think the thing that's changed since the Summit is that there's been much more attention to the goal of full employment and to policies which will increase employment. The Summit was a very important occasion because it articulated for the first time really in that forum since the formation of the United Nations 50 years before a clear, strong commitment to the goal of full employment. And I'm quite sure that, in many countries, all the evidence suggests that in many countries there's been much more attention both to reiterating that goal and to seeking the policies that will achieve it.

LITTLEJOHNS: Was this the first time that the United Nations had concentrated at a summit conference on social problems of this nature?

LANGMORE: Yes, it was. It was the first time that the issues of poverty and unemployment and social integration had been dealt with at a very high level in the UN

system. The Summit itself was in fact the largest meeting of heads of State and heads of Government ever held under the UN system. So it was a very important meeting, and the outcome is a very authoritative document, because it was endorsed by 185 countries, 117 heads of State and Government, and it includes 10 very clear and strong commitments and a whole plan of action for ways, practical ways, concrete ways, for achieving those goals.

LITTLEJOHNS: And they all gave very high priority to the need to reduce unemployment? Was that one of the top priorities of the conference?

LANGMORE: It was. Yes, it was. The third commitment is a clear, unequivocal commitment to put growth of employment and the goal of full employment right at the heart of national economic and social goals.

STEELE: But isn't full employment pie in the sky? How do you match the need for jobs with people who can do those jobs and want those jobs?

LANGMORE: Well, it's quite clear, for example, that in the last 20 years in industrialized countries we have been going backwards. But for the last 20 years in industrialized countries most countries have not been aiming for full employment. They did for the first 30 years after the Second World War, and that was generally agreed, and the fact that so many countries were seeking full employment for their labour forces was mutually reinforcing, and something very close to full employment was achieved. But after the oil crisis in the early '70s, when prices went up very sharply, and with them inflation and interest rates, getting down inflation has been the centre point of macroeconomic policy in virtually every industrialized country in the world. Employment growth has been a secondary factor. And then in the '80s we were mostly preoccupied with attempting to reduce Government outlays or increase efficiency or open up economies to international trade, all of which are good goals in themselves, but they've all led to the relegation of the goal of employment growth to a very secondary position.

LITTLEJOHNS: So do you think the concern about inflation is exaggerated?

LANGMORE: It certainly is now. I mean, it may not have been 20 years ago, but let's talk about now. Now we have in most industrialized countries a very low level of inflation, mostly under three per cent, and in some countries lower. But as well as that there are quite objective factors that are going to keep it lower. It's not going to be so clearly easy for cost-push pressures to push inflation up — that is, wages to rise, and therefore inflation to rise — simply because in a globalizing world there's more international competition; it's no longer possible for most companies to arbitrarily administer increased prices when they experience increased costs, and so inflation is not going to be as great a problem in a globalized world as it was 20 years ago.

NGUYEN: Can you talk a little bit about lifetime employment? Which is very prevalent in some Asian countries. Is this becoming an endangered species because of the emerging economies in Southeast Asia, for example, where they need more skill to perform the economy? In the North it's losing also a grip on the society because of the emerging markets in South Korea, Japan and Taiwan. It's not something that people really care any more. How does it play with the role of the UN for full employment?

LANGMORE: There is no doubt that insecurity about permanent employment is much greater, and for quite objective reasons it's far, far less common for people to be guaranteed life-long employment in most countries. The situation differs greatly in countries. Lifetime employment still seems to be fairly common in Japan, though even in Japan it's falling. But in countries like America, or in most European countries, or in Australia, the number of people who are guaranteed a job in the same organization throughout their life is much reduced.

STEELE: So is there a need to redefine the relationship between employers and employees? Or is that going to happen by osmosis? What is loyalty? What's it worth in the job market today? Who should be loyal to whom?

LANGMORE: It is changing. But there's a big debate about that, and what the outcome will be remains to be seen. There are certainly some writers who are arguing that that loss of loyalty which continual downsizing causes amongst employees is a major factor weakening the effectiveness and the productivity and the dynamism and the initiative within enterprises, and that that will damage the productivity of those enterprises and damage the bottom line, in fact, and that companies would be better to encourage loyalty at least among their core employees by guaranteeing them longer-term employment. So I think that there are a lot of factors to consider in this debate and I'm quite sure we're nowhere near the end of it.

STEELE: Do you think the employee's loyalty is misplaced in today's job market? We're being told that we're temporary, we're expendable. That doesn't really encourage confidence. Do you believe loyalty is misplaced in today's market?

LANGMORE: It depends very much on the organization. And many organizations still do care very seriously about their employees because they know that if they're loyal to their employees the employees will be loyal to them, they'll be more committed to providing the good quality service to customers, let alone the dynamism and initiative that you want from good employees. I'm quite sure there's a lot of corporate loyalty in the UN, for example, but it varies greatly from one organization to another.

NGUYEN: Take the case of South Korea, for example, the massive demonstrations against a new law that allows employees to fire employees. Is this going to

affect the emerging markets, the way it is handled, that they don't need the lifetime employment any more in order to have a good economy?

LANGMORE: It's for Koreans to answer that question, I expect, but at the very least that law caused great industrial conflict, and therefore loss of work, and therefore a great deal of anger and bitterness and disillusionment which will undermine the effectiveness of employees in many enterprises in Korea and will damage Korea's economic growth, let alone social harmony. One wonders about the wisdom of laws like that.

NGUYEN: But does it exist in other countries also? I mean, in the West employers are free to fire, and nobody protests. And the unions are extremely weak now. How do you really encourage full employment in those cases?

LANGMORE: Mostly in industrialized countries at least there are quite firm laws about the conditions under which firing can take place. There is protest from employers in some countries about the toughness of those retrenchment requirements that have to be met before people can be sacked, and maybe there needs to be greater variation. But people can't be just arbitrarily sacked in most countries. There is a balance. There is always, in industrial relations, a balance that has to be achieved between protecting the rights of employees and ensuring enough freedom and flexibility for employers. And we've got to remember that, if there isn't that kind of balance, employers will be less inclined to take on new employees because they'll know the costs are too high if they're going to be retrenched.

LITTLEJOHNS: Mr. Langmore, on this question of governmental intervention, does the United Nations, you as an expert, do you think that Governments are intervening not enough or perhaps even in some cases too much to help the unemployment problem, to help solve the unemployment problem?

LANGMORE: Well, I think they haven't been intervening enough, or more accurately that they've been intervening in the wrong way.

LITTLEJOHNS: In the wrong way?

LANGMORE: I mean, they have been heavily intervening to get inflation down and keep it low. They have been heavily intervening to make economies more —

LITTLEJOHNS: Is that across the board? I mean, even in the developing countries as well? Are they intervening to deal with their problems?

LANGMORE: Well, again, the situation varies greatly, but yes, on the whole. I mean, in a globalizing world it's essential for countries to have a low inflation rate. But it's also, of course, very important that the benefits of economic development be broadly shared. And the best way of sharing the benefits of economic growth and development are by ensuring that people have the capacity to earn incomes for themselves. And when

we're talking about employment, by the way, I'm not only just talking about wage employment, I'm talking about self employment, informal sector employment, agricultural employment, and of course a lot of that employment of all of those types will be in the service sector, which is the area where employment is face to face, where it therefore can't be replaced by machines, and where therefore demand for employment is going to go on growing as economic growth occurs.

STEELE: Is it possible to work-proof an employee these days? I mean, how do you prepare a young person for the prospect that even before graduation what they're learning may be irrelevant? What would be your advice to a young person setting out with a view to the job market today? How do they prepare themselves?

LANGMORE: By being as well-educated as possible. But of course —

STEELE: But that doesn't cover the bases.

LANGMORE: No, it doesn't guarantee them lifetime employment. We have to be more committed to retraining during people's lifetimes, and of course that's part of the answer to the unemployment problem as well. We have to go on adapting the workforce so as to meet the requirements for new kinds of skills as they emerge. And so we have to be — Government — one of the forms of intervention that's most effective is for Governments to keep education and training expenditure high so that not only young people can get it but people in mid-career can retrain as well.

STEELE: Who keeps that curve on track? Who's responsible for retraining?

LITTLEJOHNS: Before you answer that.... This is **World Chronicle**. Our guest is John Langmore, Director of the Division for Social Policy and Development in the United Nations Department for Policy Coordination and Sustainable Development.

LANGMORE: It's not just Governments that have that responsibility, obviously, the larger corporations have it themselves. If they want to get people with particular kinds of skills, they should make a contribution to training people with those skills. And Governments can increase the incentives for doing that with a tax system or subsidies. But the training system has to be a shared responsibility between the public and private sectors.

NGUYEN: You know, talking about full employment is so much an ideal that Governments want — of course, all Governments want to provide jobs for everybody, but has there been any case where, let's say.... Economics is usually discussed by a model: Can you give a model in which the economy can provide jobs for everybody in all sectors?

LANGMORE: There were many examples in the '50s and '60s. The countries which are now working at full employment, or close to full employment, are mostly in East Asia. I mean, Japan still only has an unemployment rate of 3 per cent; Taiwan I think is below 2 per cent now; Korea is pretty low; Hong Kong is very low; Singapore is

very low. So those countries which have been growing strongly economically have also been experiencing strong employment growth.

NGUYEN: But would you say — full employment, does it mean 100 per cent employment, for everybody?

LANGMORE: No, of course, it can't possibly. There are always going to be some people moving between jobs, there'll be some people who are neurotic or in ill health or for one reason or another drop out. So let's not be legalistic. I mean, unemployment of 2 or 3 per cent would be very close to a full employment ideal.

NGUYEN: Oh, I see. What about the WTO, the World Trade Organization, and the opening of markets? Would that help the goal of full employment?

LANGMORE: Yes, in short. Because as long as every country does it it means that the markets for exports by every country will grow, and countries are able to specialize in their comparative advantage, and so that makes a lot of sense. But it requires also that in each country they be building up domestic demand; in other words, they can't be opening up — seeking export markets for their goods but depressing demand for imports within their own countries because that becomes a kind of "beggar thy neighbour" strategy.

LITTLEJOHNS: You said the other day at a press conference that the goal of full employment was a rather daring suggestion. Does that mean that you are sceptical perhaps that it can ever be attained?

LANGMORE: No, no, I'm not sceptical that it can be achieved, but one has to say that it's not the centre point of the national economic strategies of most countries at present. The dominant economic paradigm is about minimizing inflation, about increasing international competitiveness, about increasing efficiency, cutting back public sectors, all of which have a place in a national economic strategy. But you would not say that in most countries the goal of full employment was the most sought-after goal. And the principal recommendation of the Commission for Social Development is that full employment should be placed again at the centre of economic and social policy, and that every other budgetary policy and monetary policy and incomes policy and trade policy and social policy should be changed, modified, so as to express that new set of priorities.

LITTLEJOHNS: We hear all the time about downsizing. Here in the United Nations there's already been considerable downsizing, and there's going to be more downsizing in 1997, by the end of the year. Of course, downsizing is bound to add to the unemployment figures.

LANGMORE: Yes.

LITTLEJOHNS: So the United Nations, which is supposed to combat unemployment, is actually contributing to unemployment through its policies here in New York. How do you square those things?

LANGMORE: That's quite true. And of course that's a policy that's being imposed on the UN by Governments, particularly the US. And if the US was centrally concerned about employment growth, then it would not be doing that to the UN any more than it would be doing it to its own public service. It's very important, by the way, to mention that one of the areas of employment growth in many countries, though not in the UN particularly, will be in the important areas of human services where there is desperate need, where in many countries there's not even universal primary education, let alone universal primary health care, let alone high quality education at tertiary level or high quality health care. Now, in those areas which are face-to-face human services areas, a lot of the employment growth will occur, and some of that inevitably has to be financed through the public sector. So increasing revenue to allow that to happen is a necessary part of a full-employment strategy.

STEELE: But for developing countries that's a very long-term strategy. They'll have to build human capital before they get to the point of putting teachers in classrooms and nurses in clinics. Do you see it in that light, as a very long-term —

LANGMORE: Yes, of course it's a long-term strategy. I'm not suggesting at all that we can get to full employment in five years in most countries, it's simply not possible. But if that was a central goal and everything was bent towards it, then gradually over a period we would make that kind of progress, and of course many developing countries have adopted strategies which are concentrating heavily on expanding primary health care and primary education and those other areas of human services, because that's exactly what their electorates want, what the people of those countries want.

STEELE: Women have been supplying much of the new labour since the 1980s, but much of the work has been temporary, part-time in unregulated areas. Have the unions missed the boat here in pulling together the collective bargaining power of women?

LANGMORE: It's true that the membership of unions as a proportion of total labour forces in many countries has fallen. So it is true that they haven't been working as hard as they once used to on recruitment, and in some countries that's starting to reverse, and the US is one of those where union membership is being built up again. But it is more difficult to organize part-time workers in service industries than it is full-time workers in manufacturing industries or white collar public service sectors. So the unions do have to catch up with the structural changes that have gone on in the work force.

STEELE: Well, with the increase in the professional members of trade unions do you see a new role of labour activism? Building in response to job instability and the general atmosphere in the work market?

LANGMORE: I think that's happening. I mean, the doctors, some of the best, some of the strongest unionists in the world.... So are the airline pilots, so are the engineers. I mean, those people are very highly organized in what are really unions, although they're professional associations also, and very effective at arguing the case for increased incomes for their members.

NGUYEN: How do you see the situation in eastern Europe or central Europe, for example, with the economic situation which is not improving at all for years? And, you know, coal mines are being closed almost every day; the number of unemployed has been increasing. How do you see it evolving in the next few years?

LANGMORE: Well, to answer that question, of course, you'd have to talk about the whole strategies for economic change in those countries, because the demand for labour is a derived amount from all other kinds of economic activity. So for employment to build up in those countries economic activity has to grow in all of those countries. But it is starting to, and it has to depend partly on the expansion of the private sector, on building up entrepreneurship in the private sector, on showing that smaller businesses have access to credit and have access to information and expertise. There are parallels, by the way, between that need and the needs in developing countries, which have been much publicized recently for microcredit, for small amounts of credit for very small businesses, for one or two or five-person businesses, which, with a relatively small amount of credit, can get the capital which enables them to establish a small enterprise and create a productive enterprise. That sort of self-help strategy is a central part of employment growth in really every country in the world, of course principally developing countries, and secondarily transition economies, but also it has a place in industrialized countries where small business is part of the answer to the employment problem.

LITTLEJOHNS: Mr. Langmore, in the third world context, which should have the higher priority — sustainable development or full employment?

LANGMORE: Well, I see them as so inter-related I'd rather not distinguish them. I mean, full employment opportunities, income-earning opportunities for all who want them, some people call it sustainable livelihoods, are a necessary condition for human well being, and human well being is a necessary condition for sustainable development. I mean, if people don't have opportunities for earning income they will go on cutting down the trees and using up the water and muddying the rivers and so on that are destroying the native forests. I mean, they are absolutely inter-related issues.

LITTLEJOHNS: What are your thoughts on the duration of the working life? Do you think that — here in the United Nations the retirement age is 60 or in some cases 62, and in some countries, I think India, for example, the Indian Government Service has a retirement of 55. Don't you think that these are too early an age for retirement?

LANGMORE: That's a very good issue, and it was raised a number of times at the Commission for Social Development. And what it shows — and you're quite right — it seems to me that the goal should be that people be able to go on working for an income for as long as they feel they want to.

LITTLEJOHNS: Which they can in the United States, in most cases. Except top executives in some companies.

LANGMORE: And for many people that's 70 or 75, or sometimes even later. Perhaps cutting back to part-time work. But that's more difficult when there's high unemployment. But at the same time we've got the World Bank and many economists in countries saying we can't any longer afford the social security, the national superannuation systems we've got because the dependency ratio is rising — that is, the number of retired people as a proportion of the population is increasing. Now, if we allowed people to go on working for longer, the dependency ratio would fall and this apparent crisis of superannuation schemes wouldn't occur. The debate really shows that the central problem is unemployment, not the dependency ratio. So we need to deal first and foremost again with increasing the opportunity for people to work for as long as they want, and that in turn will reduce the demands made on the superannuation schemes.

LITTLEJOHNS: We only have about half a minute left, but earlier in the programme there was talk about loyalty to companies, to a job. On the other hand, there's been a great increase in temporary employment, so-called "temps". Do you think that that's a phenomenon that's not good for what you're trying to achieve?

LANGMORE: It's quite a good phenomenon in the sense that it gives people access to work which they wouldn't otherwise have. It's important that it not be exploitative, that those people be adequately paid, but it meets the needs of many employers and many employees as well. Lots of people want to work half time.

LITTLEJOHNS: Mr. Langmore, that's all the time we have. Thank you for being with us on this edition of **World Chronicle**.

Our guest has been John Langmore, Director of the Division for Social Policy and Development in the United Nations Department for Policy Coordination and Sustainable Development. He was interviewed by Tuyet Nguyen of United Press International and Ian Steele of the Press Foundation of Asia.

I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.

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